



**SONAE INDÚSTRIA - SGPS, S.A.**

Headquarters: Lugar do Espido, Via Norte, Maia, Portugal  
 Share capital: € 700 000 000  
 Registered at Commercial Registry Office, Maia under no. 1067  
 VAT no. 500 204 128  
 Publicly Traded Company

**SONAE INDÚSTRIA UNAUDITED CONSOLIDATED QUARTERLY RESULTS  
 JANUARY – MARCH 2005**

**UNDER INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS)**

During the first quarter of 2005, Sonae Indústria reports:

	<i>(euros millions)</i>			
	FY 2004	1Q'04	1Q'05	% chg 1Q'05 / 1Q'04
Turnover	1.492	364	362	-1%
EBITDA	216	41	60	44%
Margin %	14,5%	11,3%	16,5%	45%
Net Results after Minority interests	43	1	15	<i>n.a</i>
Net Debt	564		586	4%

- ▶ Turnover of 362 million euros (which compares with 343 million euros in 2004, on a like for like basis, excluding Gescartão);
- ▶ Increase in Consolidated EBITDA by 44 % to 60 million euros (58% increase from 38 million on a like for like basis);
- ▶ Net Debt increased by 22 million euros due to a decreased utilisation of securitisation of receivables (18 million euros) and normal business seasonality effects on Working Capital.
- ▶ Net Results (after Minority Interests) of 15 million euros, an improvement of 14 million euros (increase of 20 million euros on a like for like basis).

**CEO Statement**

“Our performance in the 1st quarter of 2005 confirmed the positive developments seen in recent quarters. The more favourable market conditions together with the continuing implementation of our strategy (focusing on margin rather than market share) and our operational restructuring (cost savings and capacity management), allowed Sonae



Indústria to achieve an EBITDA of 59,6 million euros (47 million euros without non recurrent effects) and Net Results of 15,4 million euros.

The balance sheet restructuring measures planned for 2005 are well under way and allow us to be confident that we will attain the financial independence from our reference shareholder by the end of the 1<sup>st</sup> semester. During this period, Sonae Indústria has refinanced its debt at more favourable conditions.

The persistently high price of oil had a significant impact on our cost structure: variable costs increased 3% over 4Q'04. Provided that this trend does not hamper the medium term world economic prospects, I believe that Sonae Indústria's team will be able to further improve our performance, consolidating the Group's leadership.

Although prices have been stable, we expect some downward pressure for OSB and MDF which we will try to minimise by adjusting our sales policy.

The recent moves in the market create opportunities for development and new challenges to be faced. The Sonae Industria team is ready to take the Group to further success“

**Carlos Bianchi de Aguiar, CEO Sonae Indústria**



## OVERVIEW

Sonae Indústria performance in 1Q'05 confirmed the trend of 2004, with volumes remaining at high levels and prices continuing stable. Variable costs increased, due to the persistently high oil price.

In 1Q'05, sales volumes (m3) increased 2,2% over 4Q'04 and decreased 1,2% compared to 1Q'04. When compared with 1Q'04, sales from Germany (+1,9%), Canada (+2,4%) and South Africa (+22,1%) contributed positively while Iberia (-6,8%), UK (-10,3%), France (-1,3%) and Brazil (-1,5%) saw their sales volumes decrease. By product, only OSB (+13,4%) increased its sales volume over the previous quarter.

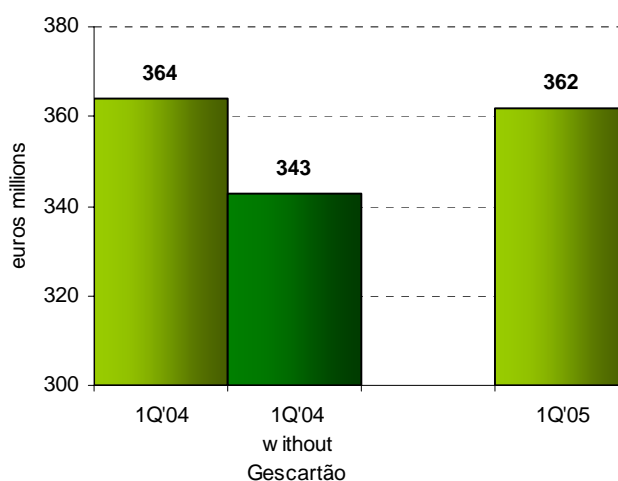
Overall, the average price shows an increase of 1% over the fourth quarter of 2004. In terms of price evolution Particle Board based products kept the positive evolution recorded since the last quarter of 2003, while OSB prices suffered a downward pressure as from March, mainly in the North American market. During 1Q'05 MDF prices increased in line with inflation but some downward pressure is expected in coming quarters, due to a weakening demand for flooring.

During 1Q'05 the consistently high oil prices continued to negatively impact our variable costs, in particular resins. Overall the resin price increased around 15% over 1Q'04 and 2,7% over 4Q'04. On the other hand, wood costs are relatively stable, with the exception of Brazil, where they are still under pressure.

Net Debt increased by 22 million Euros in the quarter, due to a decreased utilisation of securitisation of receivables (18 million euros) and to normal business seasonality effects on Working Capital.

## CONSOLIDATED FINANCIAL REVIEW

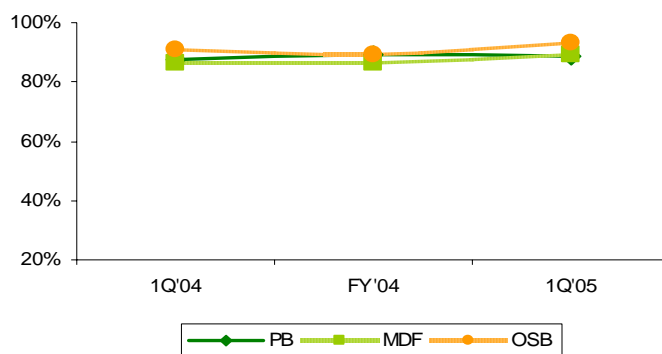
**Turnover** in 1Q'05 was 362 million euros, a 1% decrease compared to 1Q'04. On a like for like basis, excluding Gescartão, turnover increased 5,6% from 343 million euros. Higher average prices more than



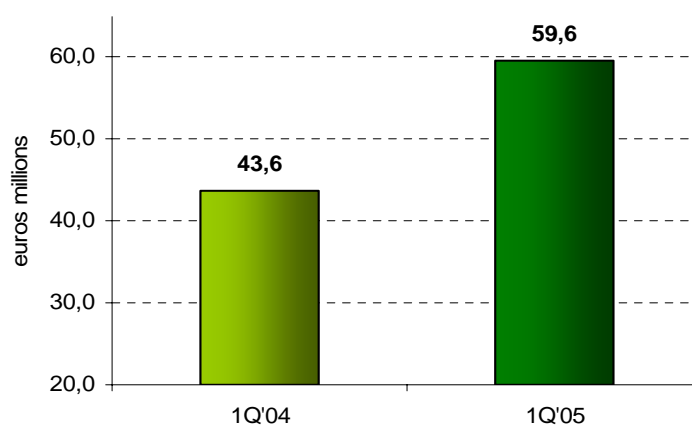


compensated slightly lower sales volumes (-1,2%).

During 1Q'05 **Capacity utilisation** reached a consolidated level of 89% which compares with 87% in the same period of 2004 (using 2005 nominal capacities of the plants). MDF and OSB posted the most significant improvement in utilisation rates (3 pp and 2 pp respectively).



**EBITDA**, reached 59,6 million euros in 1Q'05, an increase of 44% over the same period of 2004, influenced by capital gains totalling 12 million euros resulting from the sale of Gescartão and Tafisa shares. On a like for like basis excluding Gescartão's contribution in 2004, the increase was 58%. This figure represents 16,5% of turnover, which compares with 11,3% in the same period of 2004.



**Earnings Before Tax (EBT)** improved by 20,5 million euros. This evolution reflects a positive variation of 19,6 million euros in operational profit and a reduction in net financial costs of 0,9 million euros. Excluding Gescartão, EBT improved by 26,4 million euros.

**Net Results** (after minority interests) improved by 14,5 million euros to 15,4 million euros. Excluding Gescartão, Net Results increased 20,4 million euros.

**Consolidated Net Debt** increased by 22 million euros during 1Q'05, due to a decreased utilisation of the securitisation of receivables (18,2 million euros) and business seasonality effects on Working Capital.



## OPERATING PERFORMANCE

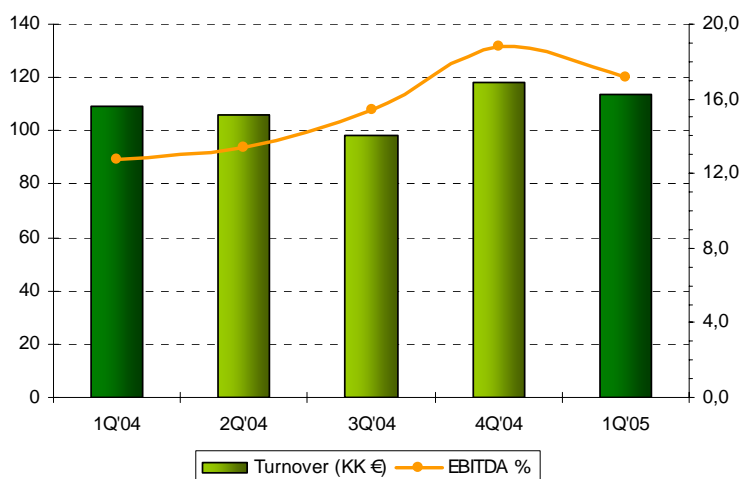
### IBERIA

During the 1Q'05 turnover increased 1,2% when compared with the same period of last year, despite the fact that Easter was this year in the first quarter, with a negative impact especially in the Spanish market. Export markets continued to perform well as during last year.

Particleboard and MDF prices are slightly higher than in the last 2 quarters.

Particleboard and MDF production was at similar level of the 1<sup>st</sup> quarter 2004 but variable costs were almost 3% higher than in 1Q'04 mainly due to the pressure on oil prices which affects the cost of chemicals – the cost of chemicals remained at a similar level to the one of 4Q'04.

EBITDA for Iberia was 19,5 million euros, which confirms the positive evolution of the previous 4 quarters.

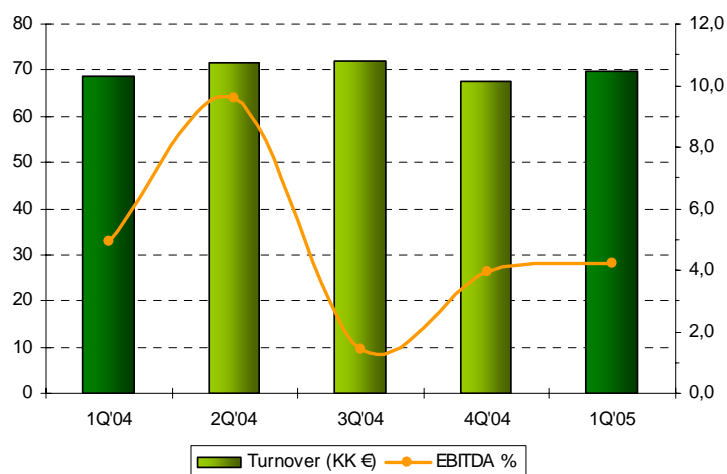


### FRANCE

Turnover for 1Q'05 increased 1,3% over 1Q'04 figure and 3,2% over 4Q'04, while Average price increased by slightly above inflation comparing with 1Q'04.

Isoroy closed 1Q'05 with EBITDA of 2,9 million euros, an improvement of 1,2 million euros over 1Q'04 excluding non-recurrent items.

A 3,2% increase year-to-year

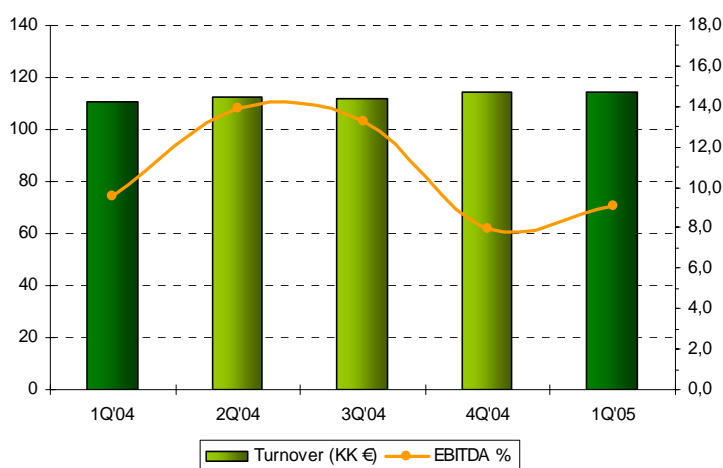




production was achieved during this quarter, despite of adverse weather conditions - the positive evolution in production was particularly felt in Lure and Le Creusot plants

## GERMANY

During 1Q'05 the overall customer demand for particleboard, melamine faced chipboard and MDF in the main German market segments, trade and industry, was on the same level of intensity as in the 1Q'04. Overall sales volume increased by 1,9 % vs. 2004 while turnover rose by 6,4% due to better product mix. Higher sales prices



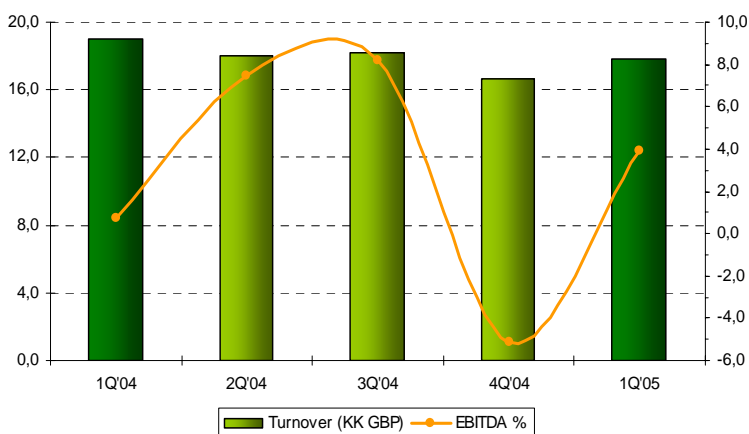
had to be passed to the market as result of significant cost increases of raw materials mainly for glue, chemicals and energy as consequence of higher oil prices.

All plants produced at nearly full capacity utilization. Income situation in MDF and PB improved in the first three months whereas the excellent income level in OSB of the previous year could not be reached because of higher export volumes with the consequence of increased transport costs.

EBITDA for the period was 9,1% of Turnover despite a negative impact of 1,3 million euros of non-recurrent items. As macroeconomic indicators for Germany in the coming months look less promising the perspectives for 2Q'05 are not as strong as in 1Q'05.

## UNITED KINGDOM

The market started slowly after the Christmas holiday period and the resulting sales volumes for the quarter are 10% down on the same period for 2004. Although volumes are below expectation average selling prices recovered against the





same period last year and against 4Q'04.

Factory output increased by 2% over 1Q'04, with a press record for Knowsley site in excess of 39 000 m<sup>3</sup> for the month of March. This was in spite of problems with availability due to the high use of recycled timber (97%). Investment in a sophisticated chip cleaning process, designed to solve these problems, has started and will be commissioned in 2Q'05. Purchase input prices have remained stable with the exception of timber, which has suffered some seasonal availability problems. The increased costs (2%) have been controlled and the impact on the P&L has been reduced by better than expected PRN prices.

EBITDA for the period was 4% of Turnover showing an upward trend in performance.

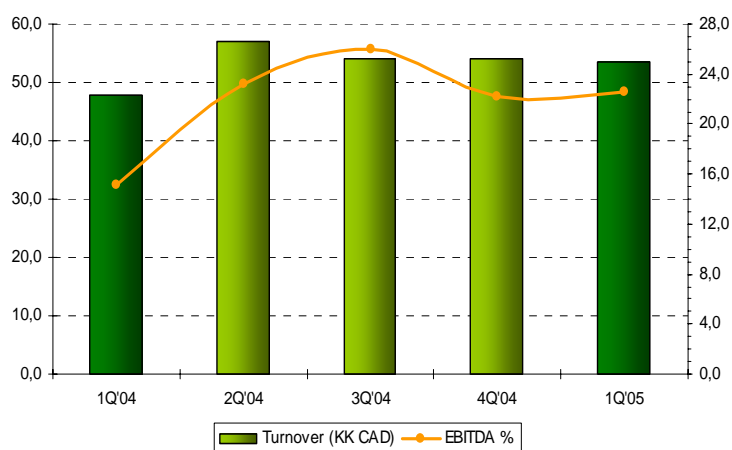
## CANADA

The North American Market has remained firm in the first quarter. Raw board demand kept strong in the period, mainly in the USA market with RTA manufacturers. Melamine Faced Chipboard (MFC), on the other hand, has been generally weak in USA since the beginning of the year.

Turnover has increased by 12 % compared to 1Q'04 while output was

up by 2,4 % for the same period. Higher volume, better product mix and higher prices have contributed to the increase in turnover. The weakness of the USD has reduced partially the positive effects on turnover in CAD; however, natural hedging (expenses which are paid in USD) has been increased to guarantee a better protection.

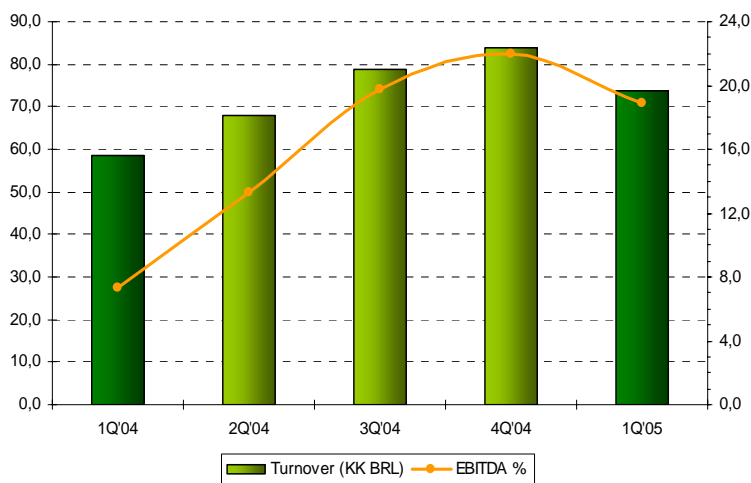
Costs of wood, resulting from the shortage of logs supply to sawmills are significantly up from the same period last year. Anticipated harvesting rights reduction from public lands created further uncertainty. Costs of chemicals and transportation are also under significant pressure following the worrying evolution of oil price. Improvements in productivity have offset partially costs increases.





## BRAZIL

The internal market was stable with a recovery in MDF volume and a small decrease in PB, but the Flooring market kept 2004 trend with a significant decrease in this period. This behaviour is the result of the impact of interest rates in the furniture retail sales and the reduction of furniture exports due to the devaluation of the USD against the Real. No major changes to this situation are expected during 2Q'05 but some recovery may be felt in the second half of the year.



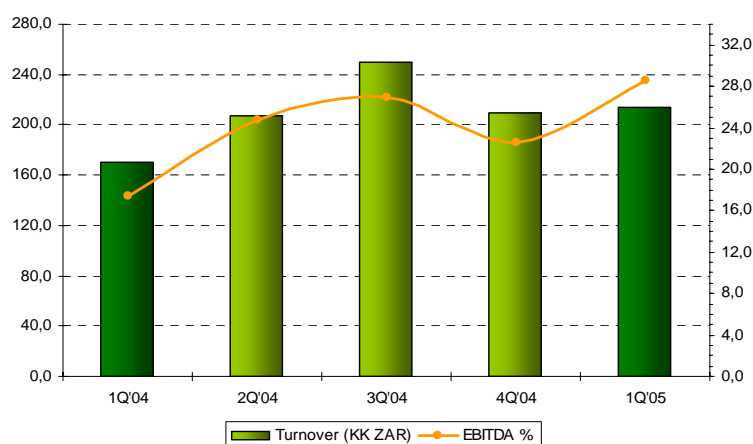
Sales in volume showed a small decrease when compared to 2004 figures (-1,5%) but as Average prices improved above inflation, sales in Reais grew 22,6% when compared with 1Q'04, with a 24,2% increase in the internal market and 11,3% in exports.

Variable costs in Reais experienced a growth of 16,6% per m<sup>3</sup>, mainly due to wood costs. As the other cost factors had generally a positive evolution when compared with last year. For those reasons EBITDA almost reached 19% which compares with last 1Q'04 figures of 7,4%. However in 2Q'05 we do not expect a significant market growth due to a slower evolution on demand and difficulties on exports on account of the expected exchange rate evolution.

## SOUTH AFRICA

Market conditions in South Africa have remained stable with continued downward pressure on the Consumer Price Index. Exchange rate volatility has tightened up with only small losses against major currencies.

There was a significant sales increase in comparison to 1Q'04 in







which value was up by 25% and volume up by 22%, despite the Easter Public Holidays falling in the first quarter of the year. Year on year distribution costs have remained static despite the fuel increase due to better pay-load efficiencies.

The erosion of prices that took place in 2004 has been fully recovered in the first quarter of 2005, although MDF prices remain under pressure due to the import activity from South America.

There has been a significant improvement in the plant availability at our Panbult and White River factories and there are no significant variances in variable costs although the sustained stability of the exchange rate has had a marginally positive effect and Fixed Costs have been contained to 2004 levels .

EBITDA has increased to 28,5% of Turnover, which is an improvement of 11pp over the same period of last year .

The outlook is positive with continued activity in the building sector and a recent announcement of a 50 basis point reduction in the prime lending rate by the Reserve Bank.

## **LOOKING FORWARD**

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The good performance of Sonae Indústria during 1Q'05 was supported on a relatively stable demand and on a good operational performance.

However there are signs of downward pressure on OSB and MDF prices as a consequence of weaker demand of the North American market (affecting OSB) and Flooring market (affecting MDF).

Therefore we expect in the short term some negative impact on the profitability of the above mentioned products, so the growth in EBITDA achieved in the first quarter is not expected to continue in the remaining of the year.

The financial independence of Sonae Indústria will be achieved in the second quarter of 2005. Sonae Indústria has used part of the proceeds from the bonds issued recently to repay shareholder loans from Sonae SGPS (163 million euros) and external debt in subsidiaries.



Maia, 28 April 2005

The Board of Directors

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## CONSOLIDATED PROFIT & LOSS ACCOUNT

	(euros millions)			
	FY 2004	1Q'04	1Q'05	% chg 1Q'05 / 1Q'04
<b>Turnover</b>	<b>1.492</b>	<b>364</b>	<b>362</b>	<b>-1%</b>
Other Operational Income	73	19	21	10%
Stock Variation	-10	-7	-1	n.a
Gross Margin	802	185	191	3%
<b>EBITDA</b>	<b>216</b>	<b>41</b>	<b>60</b>	<b>44%</b>
%	14,5%	11,3%	16,5%	45%
<b>Operational Profit</b>	<b>107</b>	<b>14</b>	<b>34</b>	<b>136%</b>
Net Financial Charges	-71	-13	-12	-6%
<b>Profit/(Loss) before taxes</b>	<b>61</b>	<b>2</b>	<b>22</b>	<b>n.a.</b>
Taxes	16	1	6	n.a.
<b>Profit/(Loss) for the period after Minority Interests</b>	<b>43</b>	<b>1</b>	<b>15</b>	<b>n.a.</b>

## CONSOLIDATED BALANCE SHEET

	% chg		
	FY'04	1Q'05	1Q'05 / FY'04
<b>Fixed Assets</b>	<b>1.265,3</b>	<b>1.249,6</b>	<b>-1%</b>
Intangible Assets	46,8	46,9	0%
Tangible Assets	1.146,5	1.139,3	-1%
Financial Investments	9,5	4,3	-55%
Other Non Current Assets	1,1	2,0	81%
Deferred Tax	61,3	57,1	-7%
Current Assets	400,8	472,0	18%
<b>Total Assets</b>	<b>1.666,1</b>	<b>1.721,6</b>	<b>3%</b>
Shareholders' Funds	431,3	448,3	4%
Minority Interests	38,9	42,2	8%
<b>Equity + Minority Interests</b>	<b>470,2</b>	<b>490,5</b>	<b>4%</b>
Interest Bearing Debt	501,8	556,8	11%
Short term	106,1	105,7	0%
L-M term	395,6	451,1	14%
Other Short term Debt	365,5	341,8	-6%
Other Liabilities	301,5	302,9	0%
Deferred Tax	27,1	29,6	9%
<b>Total Liabilities</b>	<b>1.195,9</b>	<b>1.231,1</b>	<b>3%</b>
<b>Total Liabilities, Shareholders' Funds and Minority Interests</b>	<b>1.666,1</b>	<b>1.721,6</b>	<b>3%</b>